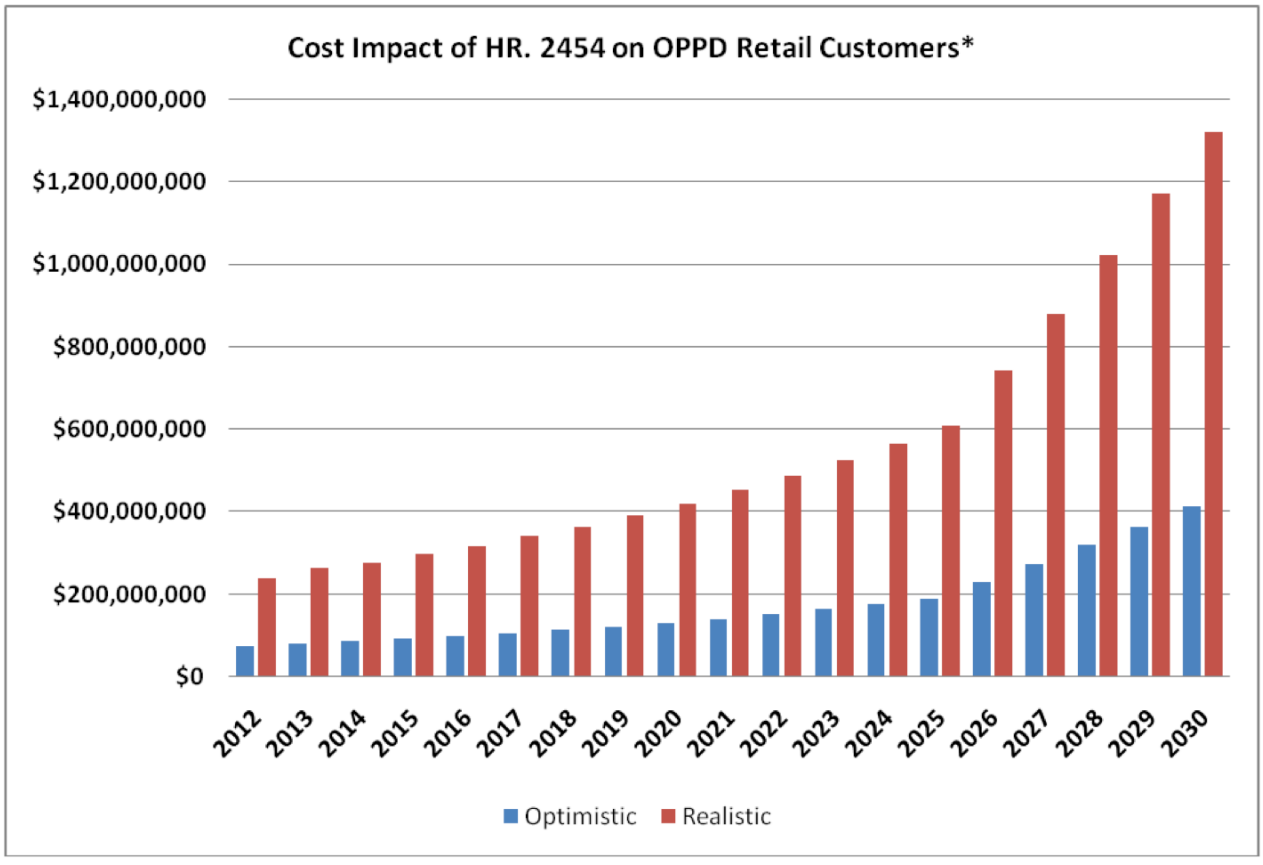
Estimated Cost Impacts of HR 2454 on Omaha Public Power District's (OPPD) Retail Customers

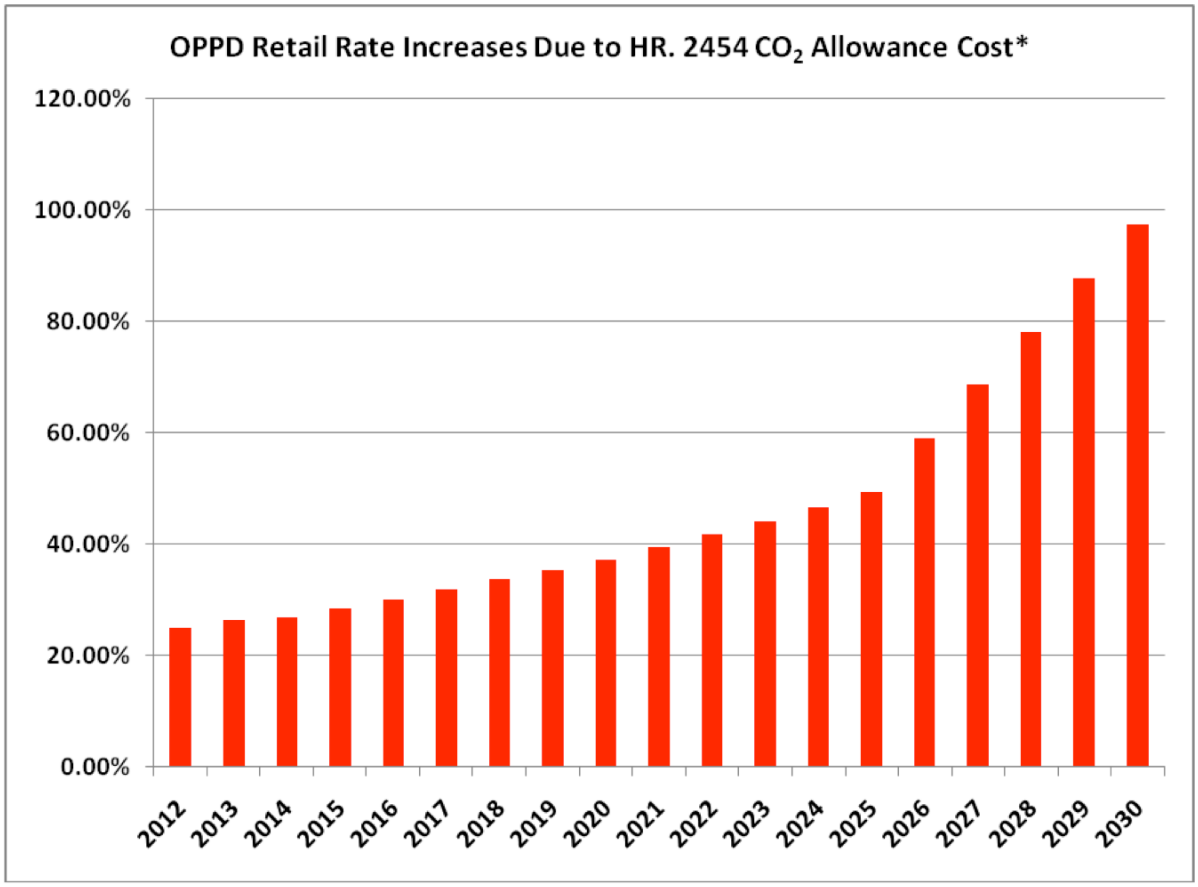
The Waxman-Markey bill HR 2454, the American Clean Energy and Security Act of 2009, contains the most aggressive CO_2 reduction provisions yet proposed by Congress. The CO_2 cap and timelines are even more stringent than those contained in the Boxer-Warner-Lieberman legislation S 2191. OPPD's CO_2 allowances required to serve its retail customers will be 43% in shortfall in 2012 increasing to a 100% shortfall by 2030.

Based on EPA's analysis of the Waxman-Markey discussion draft, estimated compliance costs to the OPPD retail customers to meet the cap and trade provisions of the bill would range from **$74,000,000 a year in 2012 increasing to $410,000,000 a year by 2030 in the most optimistic case. Retail costs based on more realistic EPA assumptions have OPPD costs ranging from $238,000,000 a year in 2012 and increasing to $1,320,000,000 a year by 2030.** OPPD serves over 340,000 electric customers and had $787,973,000 in operating revenue in 2008.



**Cost estimates based on EPA's Preliminary Analysis of the Waxman-Markey Discussion Draft dated 4/20/09*

These estimated cap and trade program costs OPPD's retail customers become even more significant because they do not include the costs of the other expensive mandates in the bill, in particular the Renewable Electricity Standard (RES).



*Based on the realistic case for CO_2 allowance cost

The average OPPD retail customer will experience a significant increase in their electric rates due to the CO_2 allowance costs of HR 2454. As currently proposed, the bill will increase the average OPPD retail electric rate by 25% in 2012, steadily rising to a 97% increase in 2030.

OPPD Allowance Cost Analysis Assumptions

Allowance allocation estimates were based on provisions of the HR 2454 (Waxman-Markey) that was adopted by the House Energy and Commerce Committee on May 19th, 2009.

Key Provisions:

- The electric generation industry would receive about 85% of the allowances needed to cover fossil generation CO2 emissions in 2007. (Coal-fired generation receives only 60% of requirements).
- 50% of the utility allowances are awarded based on CO2 emissions related to fossil-fueled generation and 50% of the allowances are awarded based on retail sales from all generation sources. Non fossil-fired generation receives about 15% of all utility industry allowances.[1]
- Utility allowances are awarded to the local distribution utilities, not the generating utility.

OPPD Data Inputs and Assumptions:

- OPPD's energy conservation and efficiency program will keep fossil energy sales at 2012 levels through 2050. (This is very ambitious).
- The cost of meeting the renewable electricity standard of HR 2454 is not included in OPPD cost estimates.
- 2007 CO_2 emissions and MWh sales were used as representative of OPPD operations for a 2006-2008 averaging period.
- OPPD's generating units' emission rates and efficiencies are comparable to national averages.
- CO2 allowance costs for the "optimistic" case were based on the mid-point of all scenario cost estimates from the EPA analysis of the Waxman-Markey discussion draft.
- CO2 allowance costs for the "realistic" case were based on EPA estimates of allowance cost increases if key assumptions and provisions of HR 2454 do not perform as advertised. These provisions include: CCS (carbon capture and sequestration) deployment by 2015 with wide spread deployment prior to 2030 (80% cost increase); cheap international offsets will be plentiful (96% cost increase); unrestricted addition of nuclear and renewable energy (30% cost increase).

[1] OPPD would receive allowances based on sales from its nuclear generation that is offset by reductions in allowances for its coal- fired generation.

- Allowance costs start at $19.00/metric ton in 2012 dollars and escalate by 5% per year through 2030 for the optimistic case. Allowance costs start at $61/metric ton for the realistic case in 2012 dollars and escalate by 5% per year. Values are not adjusted for inflation.

The cost containment provisions of HR 2454 are dependent upon numerous new federal regulatory programs that are untested and unproven. HR 2454 contains no cost certain safety valve price for allowances to limit program cost. This is a serious deficiency.